

## Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 EA-07 ISO-00 SS-15 NSC-05 AID-05 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 IO-13 NEA-10 NSAE-00

USIA-06 OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01

OMB-01 PA-01 PRS-01 /106 R

DRAFTED BY EB/ORF/FSE:MVCREEKMORE:MW

APPROVED BY S - THE SECRETARY

EB:JAGREENWALD

EUR/RPE:ADSSENS

EA/EP:AGEBER

E:JEINHORN

S/S - MR. SEBASTIAN

EUR/CAN:DKRUSE

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO PRIORITY

AMEMBASSY CANBERRA PRIORITY

AMEMBASSY OTTAWA PRIORITY

AMEMBASSY MADRID PRIORITY

AMEMBASSY STOCKHOLM PRIORITY

AMEMBASSY BERN PRIORITY

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AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY LUXEMBOURG PRIORITY

AMEMBASSY DUBLIN PRIORITY

INFO USMISSION OECD PARIS PRIORITY

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E.O. 11652: GDS

TAGS: ENRG, CIEC

SUBJECT: KISSINGER'S REPLY TO MACEACHEN

OECD MAY PASS TO VAN LENNEP FOR INFO.

1. ON JULY 26, CANADIAN FOREIGN MINISTER MACEACHEN, IN HIS ROLE AS CIEC CO-CHAIRMAN, WROTE TO HIS G-8 COUNTERPARTS REGARDING HIS VIEWS ON THE CIEC IMPASSE AND ASKED FOR THEIR COMMENTS. PARA 3 CONTAINS SECRETARY KISSINGER'S RESPONSE. YOU MAY, AT YOUR DISCRETION, PASS THE TEXT OF THIS LETTER TO APPROPRIATE HOST GOVERNMENT OFFICIALS.

2. SWEDEN, SWITZERLAND, AND THE EC HAVE PROVIDED US WITH THEIR REPLIES TO MACEACHEN. IF THE SECRETARY'S LETTER IS CONVEYED IN OTHER CAPITALS, YOU SHOULD REQUEST COPIES OF THEIR RESPONSES.

3. SECRETARY KISSINGER'S LETTER TO FOREIGN MINISTER MACEACHEN:

BEGIN TEXT: DEAR MR. MINISTER:

THANK YOU FOR YOUR THOUGHTFUL AND TIMELY LETTER OF JULY 26, 1976 ON THE OUTLOOK FOR THE CONFERENCE ON INTERNATIONAL ECONOMIC COOPERATION. I WOULD LIKE TO BEGIN BY EXPRESSING MY PERSONAL THANKS AND ADMIRATION FOR THE EFFORTS YOU ARE MAKING AS CO-CHAIRMAN OF THE CONFERENCE TO BRING THIS IMPORTANT NEW INITIATIVE TO A SUCCESSFUL CONCLUSION. THE CURRENT IMPASSE OVER THE FORMULATION OF WORK PROGRAMS FOR THE COMMISSIONS FOR THE SECOND HALF OF THE YEAR IS THE FIRST SERIOUS TEST WE HAVE FACED IN THE CONFERENCE. YOU HAVE OUR FULL SUPPORT IN YOUR EFFORTS TO FIND A SATISFACTORY SOLUTION TO THESE PROBLEMS WHICH WILL ALLOW THE COMMISSIONS TO PROCEED WITH THEIR SUBSTANTIVE WORK IN SEPTEMBER.

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THE UNITED STATES REMAINS COMMITTED TO THE SUCCESS OF THE CONFERENCE. WE CONTINUE TO BELIEVE THAT THIS RESTRICTED YET REPRESENTATIVE BODY CAN, IF ALL PARTICIPANTS ARE PREPARED TO ENGAGE IN A PRAGMATIC SEARCH FOR SOLUTIONS TO REAL PROBLEMS OF MUTUAL CONCERN, MAKE A MAJOR CONTRIBUTION TO WORLD ECONOMIC PROGRESS, PARTICULARLY IN THE DEVELOPING COUNTRIES.

HOWEVER, I AGREE WITH YOUR JUDGMENT THAT IN OUR EFFORTS TO RESOLVE THE CURRENT IMPASSE OVER THE FORMULATION OF WORK PROGRAMS, WE SHOULD KEEP IN MIND THE FACT THAT OUR GOAL IS THE SUCCESSFUL CONCLUSION OF THE CONFERENCE IN DECEMBER. IT SEEMS TO ME THAT THIS WILL TURN ON TWO SEPRATE FACTORS. FIRST, THE INDUSTRIALIZED PARTICIPANTS MUST BE WILLING TO RESPOND IN A PRACTICAL MANNER TO CERTAIN OF THE CONCERNS OF THE DEVELOPING COUNTRIES IN SUCH AREAS, FOR EXAMPLE, AS ENERGY, THE TRANSFER OF RESOURCES, AND TECHNOLOGY. I ASSURE YOU THAT THE UNITED STATES RECOGNIZES AND ACCEPTS THIS RESPONSIBILITY.

AT THE SAME TIME, WE MUST ASSESS THE POSITION OF THE GROUP OF 19 DEVELOPING COUNTRIES. THE INDUSTRIALIZED COUNTRIES CANNOT UNILATERALLY MAKE THE CONFERENCE A SUCCESS. IT WILL ALSO REQUIRE THE CONTINUED COMMITMENT OF THE DEVELOPING COUNTRIES TO AN OBJECTIVE SEARCH FOR PRACTICAL SOLUTIONS. IF SOME OR ALL OF THEM HAVE DECIDED THAT THEY NO LONGER DESIRE TO PURSUE THIS FORM OF DIALOGUE AT THIS TIME, IT WILL BE IMPOSSIBLE FOR US TO RESO'VE THE CURRENT IMPASSE IN A MANNER WHICH WILL PERMIT THE COMMISSIONS TO GO FORWARD IN SEPTEMBER AS SCHEDULED. IN THAT EVENT, AS YOU SUGGEST, IT MIGHT IN FACT BE PREFERABLE TO POSTPONE THE MEETINGS OF THE COMM-SSIONS UNTIL AN ACCEPTABLE AGREEMENT ON THE OUTSTANDING ISSUES CAN BE ACHIEVED.

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TO AID IN YOUR DISCUSSIONS WITH DR. PEREZ GUERRERO, AS WELL AS WITH OTHER MEMBERS OF THE G-8, LET ME ADD A WORD ABOUT THE TWO UNRESOLVED ISSUES OF IN-CONFIDENTIAL

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DEBTEDNESS AND THE PROTECTION OF PURCHASING POWER.

WE CONTINUE TO FEEL STRONGLY THAT WE CANNOT COMMIT OURSELVES IN ADVANCE DURING THE FORMULATION OF WORK PROGRAMS, TO THE SPECIFIC ELEMENTS TO BE INCLUDED IN THE PACKAGE OF PROPOSALS TO BE PRESENTED TO A MINIS-TERIAL MEETING IN DECEMBER. THIS WOULD PREJUDGE THE RESULTS OF THE ACTUAL WORK OF THE COMMISSIONS. BEYOHD THIS, THE UNITED STATES DOES NOT CONTEMPLATE ACCEPTANCE AT A LATER DATE OF PROPOSALS ENDORSING EITHER AUTOMATIC OR GENERALIZED DEBT RELIEF FOR GROUPS OF DEVELOPING NATIONS OR "INDEXATION". IN OUR VIEW, THERE ARE GOOD REASONS FOR RESISTING UNREALISTIC DEMANDS ON BOTH THESE SUBJECTS.

WITH REGARD TO INDEBTEDNESS, WE ARE, HOWEVER, WILLING TO DISCUSS FURTHER IN CIEC ANY PROPOSALS WHICH THE GROUP OF 19 WISH TO MAKE. WE ARE ALSO READY TO WORK CONSTRUCTIVELY AND POSITIVELY TOWARD IMPLEMENTATION OF THE RESOLUTION ON DEBT PASSED AT UNCTAD IV.

THE QUESTION OF INDEBTEDNESS HAS TWO DISTINCT ASPECTS IN OUR VIEW. FIRST, IN FORMULATING FEATURES WHICH WOULD PROVIDE GUIDANCE FOR DEBT REORGANIZATION OPERATIONS IN CASES OF ACUTE DEBT CRISIS, WE WOULD HOPE TO INSURE EQUITABLE TREATMENT FOR DEVELOPING NATIONS SEEKING DEBT RELIEF IN CREDITOR CLUBS. THE SECOND ASPECT IS OF A LONGER-TERM NATURE AND BROADER IN SCOPE, INVOLVING THE OVERALL FINANCIAL STRUCTURE OF A DEVELOPING COUNTRY, OF WHICH DEBT IS ONE ELEMENT. HERE WE ENVISAGE FOCUSING ON MEASURES WHICH MIGHT BE TAKEN TO MAXIMIZE FOR EACH DEVELOPING COUNTRY THE EFFICIENCY OF EXTERNAL ASSISTANCE AND PREVENT FUTURE DEBT SERVICE DIFFICULTIES. THIS IS IN LINE WITH THE MORE GENERAL OBJECTIVE OF IMPROVING THE QUALITY OF RESOURCE TRANSFERS TO DEVELOPING COUNTRIES AND WOULD INVOLVE PAYING PARTICULAR ATTENTION TO THE PROBLEMS OF THE "LEAST DEVELOPED, MOST SERIOUSLY AFFECTED AND OTHER COUNTRIES IN SERIOUS DIFFICULTY."

I HOPE THAT THIS STATEMENT OF OUR VIEWS IS USEFUL TO  
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YOU IN YOUR DISCUSSIONS WITH THE G-19 CO-CHAIRMAN,  
DR. PEREZ GUERRERO. PLEASE BE ASSURED THAT YOU HAVE

OUR FULL SUPPORT IN YOUR EFFORTS TO FIND A WAY IN WHICH  
THE CONFERENCE CAN GO FORWARD AS SCHEDULED. SINCERELY,  
HENRY A. KISSINGER. END TEXT. KISSINGER

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